

**MINUTES OF THE
HIGHER EDUCATION APPROPRIATIONS SUBCOMMITTEE**

Room 210 East Senate Building, State Capitol Complex

February 2, 2016

Members Present: Sen. Stephen H. Urquhart, Co-Chair
Rep. Keith Grover, Co-Chair
Rep. Jon E. Stanard, House Vice Chair
Sen. Jim Dabakis
Sen. Ann Millner
Sen. Howard A. Stephenson
Sen. Jerry W. Stevenson
Sen. Evan J. Vickers
Rep. Kim Coleman
Rep. Fred C. Cox
Rep. Jack R. Draxler
Rep. Daniel McCay
Rep. Kay L. McIff
Rep. Carol Spackman Moss
Rep. Derrin Owens
Rep. Mark A. Wheatley

Staff Present: Mr. Spencer Pratt, Fiscal Manager
Ms. Jill Curry, Fiscal Analyst
Ms. Lorna Wells, Secretary

Note: A copy of related materials and an audio recording of the meeting can be found at www.le.utah.gov.

1. Call to Order

Co-Chair Urquhart called the meeting to order at 8:50 a.m.

2. A Follow-up of 2015-11 – A Performance Audit of CTE Completion and Job Placement Rates

Co-Chair Urquhart stated that this audit was one of the worst he had experienced. [Performance Audit of CTE Completion & Job Placement Rates](#) He said the audit contained words like diluted, inflated, and unreliable. He mentioned that an honest presentation of data allows the committee to analyze institutions and make important decisions.

Co-Chair Urquhart stated that the problem is not about the services provided by UCAT, but that undisclosed accounting standards were changed. He emphasized there isn't a problem having short courses instead of longer-term programs. He discussed how statistics have been altered since 2013 to show progress on the 66 percent by 2020 goal.

Co-Chair Urquhart listed some specific concerns reported in the audit. He discussed a graph on Page 10 of the audit comparing USHE completions with UCAT completions. He read Page 12 of the audit which said that UCAT retroactively reported occupational upgrades as certificates

despite no official certificates being issued, and no record on a student transcript. It stated that most completions reported are for passing a course rather than completing a program. He said that these reports have impacted funding decisions made by the committee.

Co-Chair Urquhart mentioned that the audit said that reported counts were unreliable because they could not be replicated.

UCAT Response to Audit. Mr. Robert Brems, UCAT President discussed the [UCAT Audit Response](#). He explained the Basic UCAT Units of Measure. He discussed the mission of UCAT specifically in regards to the different UCAT enrollment categories as well as the metrics associated with each category.

He discussed the three recommendations on Page 28 of the audit. From #1, UCAT will discontinue reporting composite completion rates. From #2, UCAT will complete an internal review of all UCAT courses and programs to assess the significance of the accomplishments made by students. From #3, UCAT will develop a comprehensive UCAT placement policy.

Mr. Tom Bingham, Chair, UCAT Board of Trustees, reported on the importance of UCAT competency-based training. He wanted to avoid discounting the significance of the accomplishments of the students. He was very disappointed in the audit because it seems to push UCAT into a different direction.

Co-Chair Urquhart stated that both Pres. Brems and Mr. Bingham were missing the point of the audit. The audit was not trying to require programs to take more time. The audit questioned the honesty and integrity of UCAT in reporting to the committee. He asked if the audit was incorrect and if they felt that the data presented to the committee and to the public was accurate.

Pres. Brems stated that he felt the data that was presented were accurate. He felt the auditor viewed the data from a different opinion. Pres. Brems said that one of the main issues is looking at the differences between the student categories and trying to report on them. After thorough discussion with campuses, employers, the Board, and even the governor's office, they included the occupational upgrade numbers. They now understand that these upgrades should not be counted.

Co-Chair Urquhart said that if occupational upgrades are what industry is demanding, that is great, they should be counted. However, the audit specified that it should be done in an honest presentation broken into categories so the public can see exactly what is being done. The concern is that UCAT retroactively changed accounting to improve numbers by 43 percent.

Pres. Brems reported that UCAT had reviewed past presentations and the same type of data was reported in prior years.

Sen. Stephenson was very frustrated with the agency's response to the audit. There was no "mea culpa," no admission of wrong doing, and no recognition of making mistakes in judgement. He was frustrated that Pres. Brems was talking past the audit and past the points brought up by chair. He said that this was a continuation of culture that the committee has

experienced from UCAT for the last four years. The committee has pleaded to know more about the unfunded training that employers need to ease the backlog of training needed in the high tech industry. He felt that UCAT has been cautious of asking for too much, but the committee has wanted to know more detail about what UCAT is doing. The chairs have asked that UCAT come forward with reliable data so that the committee can make decisions. When the audit showed the data was not reliable, instead of coming to the table and reporting how this happened, and stating that it wouldn't happen in the future, there was no admission of wrong doing.

Sen. Stephenson said that Pres. Brems did state that UCAT worked with others on how to present these numbers in a composite number, but that report made it look like UCAT was progressing faster towards the 66 percent goal than was really happening. He said that to him the audit showed that this report was fraudulent. He asked the chairs to use GRAMA to drill down and have copies of emails between the Governor's office, UCAT Administration, the Board, Campuses etc. to find out how something so wrong could persist and how there can be so much collusion in misreporting results. He stated that perhaps the entire administration of UCAT, Campus Presidents, and Board should be re-organized. He felt that this was especially troubling when UCAT provides such meaningful post-secondary training.

Rep. McIff noted that the ten UCAT campuses have differences and similarities. He asked UCAT to organize their data in a better way, and the committee needs to have more precise data.

Sen. Dabakis expressed concern about the future of post-secondary education with respect to the 66 percent by 2020 goal. He felt if the numbers reported were different than the Legislature had presupposed, the attainment of that goal was greatly impacted. He was disappointed that this gave a false illusion that would not be good for the state. The committee was not looking for a defense of what UCAT had been reporting and the status quo, but to report on what would be done to rectify this situation. He felt that if they couldn't admit some wrongdoing, the administration should consider leaving UCAT because that type of attitude would not put all of the good things that UCAT is doing in the best light with the Legislature.

Sen. Vickers tried to take a non-emotional view of this audit and to look at it from the perspective of an employer. The only deficiency that the audit found was in reporting. The needs of employers are being met, so going forward the reporting problems need to be corrected and then move on. He didn't feel it was necessary to change the administration, but that could be looked into. It is important to make sure the UCAT system is flexible enough to respond to employer needs, and then give UCAT more guidelines on how to report their data.

Co-Chair Urquhart stated that the committee was really looking at the veracity of what was being reported to the committee. The audit was focused on rates of completion and job placement. One of his concerns is that if this data was misreported, what other information has been misreported as well. There are many technical jobs available that can't be met. Sen. Vickers agreed and there is a deficiency that UCAT should help solve.

Co-Chair Grover stated that over the past several years he has repeatedly asked UCAT for information. However, the audit asked some of the questions that the chairs have been asking

for many years. It doesn't necessarily reflect directly to classroom instruction, efficacy of the different certificates, or things like that. The questions that could be asked are what opportunities are being missed, and what other opportunities should receive focus. He said that some might feel that strong allegations have been made about not receiving accurate information. But, he reminded committee members that for the past several years, he has focused on membership hours, what makes up a certificate, and what is different from one campus to another. He has asked what the similarities and differences are. Based on his past interaction with the President, the committee is not getting the information that is needed.

Co-Chair Grover stated that he spent over an hour in a committee meeting last year about inaccuracies and membership hours. At that time, he gave Pres. Brems three or four pages of questions to be answered that were not answered. He does not acknowledge misdoings with Campus Presidents, but called attention to the fact that certificate measurements were very different from one campus to another, meaning there is a disconnect somewhere. He had approached the president about these big issues and large amounts of funding requests. He asked Pres. Brems specifically how the equity funding was established.

Pres. Brems answered that several factors were involved: the population that the campus needed to serve, the per capita of individuals that would receive UCAT services, and factors of how campuses related to each other. They used a method that was brought to the committee which required that some campuses would take a back seat to those campuses who would receive the lion share of funding.

Co-Chair Grover stated that this was not related to this audit, but it does show that the history is different. When the committee looked at the equity funding formulas, it was disproportionate to where the students were actually attending. Some of the campuses that were declining in certificate completions were getting proportional funding. When the committee started tweaking this, he was extremely frustrated that he couldn't get accurate numbers. The chairs take the committee members' input regarding millions and millions of taxpayer dollars and then report to EAC with good faith representing all of the committee's good work, as well what the committee is told by the institutions they work with. It is the committees' responsibility to get it right. If the committee is not getting correct data that makes it very difficult.

Co-Chair Grover agreed with Sen. Vickers that employers are getting what they need, but thought the scope of the audit showed that there are large structural issues. He said that in his first year when he was very frustrated with the data, Pres. Brems said that if the numbers didn't make sense to him, then Pres. Brems would work around him with the other committee members and the EAC; which he did to avoid accountability. He felt that the audit was very revelatory. He would be glad to provide text messages or e-mails. He was very uncomfortable sitting in front of the EAC getting questions that should have been answered in this committee. He wanted to be very clear that what the ATC's provide to the citizens of Utah is irreplaceable and critical; but, the responsibility lies with all committee members to get something done while the Legislature is in session to ensure the proper stewardship of tax payer dollars.

Rep. Cox stated that his geographic area is represented by SLCC. He realizes that UCAT is very different than the U of U and other schools. When he looks at statistics, he doesn't try and

compare UCAT to the U of U. He would like to be able to compare UCAT to SLCC for the programs that are similar. He said that based on the audit there are some things that need to be changed so that the committee understands better what is going on. He would like to have a discussion with UCAT and SLCC to have some statistics prepared where there are similarities. He is not able to make comparisons with current data. He mentioned that last summer there was talk of having a special session to provide additional funding for UCAT. If the numbers are more consistent and transparency and communication is happening, the committee's job would be much easier. He said having similar comparisons between UCAT and SLCC would help him as he speaks to his constituents.

Response from Auditors. Mr. John Schaff, Legislature Auditor General, stated they take their charge very seriously. They were charged to validate and determine how completion rates and placement rates are determined in the UCAT system. The auditors used the term "diluted" because they felt like small achievements were mixed with those graduating programs. Their intent was not to indicate that the small achievements were not important. One concern with the small achievements was a lack of rigor and documentation. He specifically mentioned the findings shown on Page 12. Another concern was that the reported counts were unreliable. UCAT could not document or replicate the data that was presented. They expected that they could go back and determine the accuracy of the data reported, but they could not.

Sen. Millner asked what type of documentation was expected and what type should the committee and the Legislature be asking for. Mr. Schaff answered the type of documentation is not stipulated, but, there should be some type of record to verify that students actually accomplished what was reported.

Mr. Tim Bereece, Audit Supervisor reported that they asked UCAT to duplicate those counts using whatever methodology they wanted, but the numbers didn't line up. They did have records of how many hours students took, but other counts were not consistent. He stated that UCAT has adopted a policy of using a new occupational skills certificate and there should be some improvement on the documentation going forward.

Mr. Schaff wanted to report that UCAT was cooperative throughout the audit. There was no adverse nor conflictual type of relationship. They have responded positively to the recommendations.

Co-Chair Urquhart expressed appreciation to the auditors for their great work.

Sen. Stephenson said that what happened was the result of a culture; the UCAT Campus Presidents, the teachers, and the staff are among the best. The results on the longitudinal data system show that the earnings of these certificate earners are higher than students with bachelor's degrees. He reported that value from UCAT and the other CTE providers is unquestionable. He stated that Pres. Brems and Mr. Bingham are good people. There has been a culture that has produced this problem. The culture needs to change so that going forward the committee can address the needs of students and the community. He stated that during the interim committee the chairs asked Pres. Brems and Mr. Brinkerhoff why the data wasn't being presented to receive funding. Sen. Stephenson reported that Mr. Brinkerhoff said that they didn't want to ask for too

much because it is important to work with their educational partners. He said that he had spoken to some of the Board of Trustees' members to try and find out about this culture. He discovered that the trustees are appointed from industry within each campus service area, but they are made to believe that their role on the board is to represent the campuses they come from and not the employers and the employer needs in the service area they come from. He is hopeful that this culture can be changed and moved forward.

Rep. Draxler said the audit has identified some specific needs that need to be addressed. He asked if it would be helpful to invite a local president to come up and report what they are prepared to do to comply with the audit.

Co-Chair Urquhart stated that this could possibly be discussed at a future meeting. He stated that this is a top-down problem. The Board and the President should not have allowed this to happen. The campus presidents reported what they were told to report. They do not feel at liberty to publicly or ever question the direction they receive from the President.

Vice Chair Stanard said that the Legislative Auditor had clarified that there is a difference about the confusions and frustrations about the reporting and the work being done on the campuses. He wanted to emphasize that the short-term programs are valuable pieces. He has toured several campuses and saw the value of these short-term programs. The questioning has been only about how data is being measured and reported. The segregated data that was presented at today's meeting was very helpful. He wanted to make sure that the campus presidents feel that the training that is provided is extremely vital.

Co-Chair Urquhart stated that the chairs will review the testimony and follow up with committee members.

3. State Auditor's Office – Opportunities for Back-Office Integration at UCAT

Mr. John Dougall, Utah State Auditor, discussed the [Opportunities for Integrated Processes](#). He stated that they audit the financial statements of the eight UCAT campuses. They are conducting a departmental review of UCAT administration. He asked the question is UCAT eight schools, or is it one school with eight regional campuses. His perspective is that it is one school with eight regional campuses. They determined to report to the UCAT Board rather than regional boards. They made some changes with regards to billing practices. As a result, there are some possible opportunities to be more efficient. Mr. Dougall stated that there may be some similar changes made to the USHE system.

Ms. Hollie Andrus, Financial Audit Director for Higher Education, stated they have been working with the eight UCAT campuses. She mentioned that it is important to realize that each campus provides very unique services. She gave some background information stating that each campus is very independent, even including the accounting system. She listed some examples of the accounting systems being used. This was a major challenge when working with UCAT. She mentioned that larger institutions have some very centralized systems that make that university run more efficiently. They centralize payroll, human resources, insurance, accounts payable and risk management.

Co-Chair Urquhart asked if Utah State's satellite campuses were still part of this centralized system. Ms. Andrus indicated that was true. The departments maintain control, but the institution has the ability to create internal control structures and standardized processes. Ms. Andrus indicated that having an integrated, centralized process at UCAT would allow for some cost savings and better data analytics. Each campus could still operate with autonomy with the back-office integration. Mr. Dougall indicated that this was not an official study but are observations from the State Auditor's office.

Vice Chair Stanard asked if individual campuses would be responsible for their own budgets, or be able to cut their own checks if UCAT centralization is in place. Mr. Dougall indicated that the campuses would be responsible for their own budgets. Generally speaking, check cutting would be centralized. Ms. Andrus indicated there would be some leeway to allow campuses to cut checks as well.

Vice-Chair Stanard asked if the data entry was being handled by one person, or if it is from the backend so everything is accessed in one place. Ms. Andrus indicated that it could be set up either way. This would be a management decision.

Sen. Stephenson asked if having a uniformity of operations and integration in back office systems would save money for individual campuses. Ms. Andrus indicated that after the learning curve, and the initial investment in the new system, there would be substantial savings. Mr. Dougall indicated that an example would be a 30 percent savings in audit costs when conducting a UCAT audit.

Sen. Stephenson asked if it would be possible to have a more global system available to all state agencies. Mr. Dougall said that this could be looked into.

Sen. Millner asked if any of the systems were integrated with UCAT student systems. Ms. Andrus said that none of the UCAT systems are integrated with student systems. Co-Chair Urquhart thanked the auditors for their good work.

4. UCAT Base Budget

[UCAT Issue Brief – Executive Summary](#) Ms. Curry explained this UCAT Issue Brief. She explained the sections that apply to UCAT. She explained the UCAT portion [Higher Education Base Budget Bill](#) of the base budget bill on Line 440. She explained the location of UCAT on COBI. She stated the base budget is about \$78.7 million and showed funding sources.

5. UCAT Performance Measures

a. Membership Hours. [UCAT Membership Hour History](#) Ms. Curry explained this issue brief and discussed the membership hours for adult students and high school students.

b. Student Headcount [UCAT Student Headcount](#) Ms. Curry explained this issue brief and discussed the distinct total number of students enrolled in UCAT. She stated that there have

been increases in both high school and adult students.

c. Certificates Awarded [UCAT Certificates Awarded](#) Ms. Curry explained that this issue brief only shows program certificates.

d. Outcomes of Accredited Programs [UCAT Outcomes of Accredited Programs](#) Ms. Curry explained that the outcomes at UCAT are classified as completion, placement and licensure. She reported on what happens if programs fall below the standard. She discussed programs where the benchmark was not met. She discussed the strategies that would be implemented for these programs.

Co-Chair Urquhart asked who flags these programs. Ms. Curry explained that the UCAT central office reports this information. She stated that the campuses routinely go through all programs. She stated that the employee advisory councils work with campuses on this.

Rep. Coleman asked specifically about which programs had been flagged.

Co-Chair Urquhart asked Ms. Curry asked if there had been increases in short-term courses versus certificated programs. Ms. Curry said that the data suggests that there are the same number of students; but the number of hours per student is decreasing, and that more students are taking shorter courses. Co-Chair Urquhart ask for more detail about these numbers.

e. Custom Fit [UCAT and SLCC Custom Fit](#) Ms. Curry explained that this issue brief provides data for UCAT and Custom Fit. She stated that the vast majority of these programs is 0 – 50 hours.

MOTION: Vice Chair Grover moved to adjourn. The motion passed unanimously.

Co-Chair Urquhart adjourned the meeting at 10:50 a.m.

Sen. Stephen H. Urquhart, Co-Chair

Rep. Keith Grover, Co-Chair